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Honorable Novalyn L. Winfield, U.S.B.J.
US Bankruptcy Court
District of New Jersey

Re: Jesal Patwari, Debtor
Case No. 08-26178 (NLW)
Hearing Date: January 12, 2008

Dear Judge Winfield:

Please accept this letter in lieu of a more formal submission on behalf of the State of New Jersey, Division of Taxation ("N.J. Division") in support of the U.S. Trustee's Motion to Convert Cases to Chapter 7, or in the Alternative to Dismiss the Cases, Pursuant to 11 U.S.C. §1112 (b). The N.J. Division, as a creditor in this matter, submits that debtor's failure to file monthly operating reports and numerous pre-petition tax returns is a sufficient reason for conversion.

Under 11 U.S.C. §1112(b)(1), "on request of a party in interest, . . . absent unusual circumstances . . . the court shall convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, if the movant establishes cause." As defined in §1112(b)(4), "the term 'cause' includes--(A) substantial or continuing loss to or diminution of the estate and the absence of a reasonable likelihood of rehabilitation[.]"

Debtor filed his bankruptcy petition under chapter 11 of the Bankruptcy Code on August 27, 2008, but has yet to file an operating report. The absence of operating reports prevents the N.J. Division from monitoring debtor's financial condition and assessing debtor's "likelihood of rehabilitation[.]"



Additionally, debtor has failed to file numerous pre-petition tax returns as shown on the Schedules of Liabilities attached to the N.J. Division's secured and priority proofs of claim. Returns are missing for debtor's personal gross income tax ("TGI-EE") for 2005 through 2007. Returns are missing on behalf of Patwari LLC for Gross Income Tax - Employer Withholding ("GIT-ER") for fourth quarter 2006 through second quarter 2008 and for Sales and Use Tax ("S&U") for second quarter 2008. Returns are missing on behalf of First Hudson HotDogs LLC for fourth quarter 2006 GIT-ER and for second quarter 2008 S&U. Returns are missing on behalf of Shapat Inc. for GIT-ER for second quarter 2007 through second quarter 2008 and for second quarter 2008 S&U. Returns are missing on behalf of Shapat 2 LLC for GIT-ER for third quarter 2006 through second quarter 2008 and for S&U for second quarter 2006 through second quarter 2008. Returns are missing on behalf of Shapat 3 LLC for GIT-ER for third quarter 2007 through second quarter 2008 and for S&U for first quarter 2007 through second quarter 2008.

Those numerous missing returns not only force the N.J. Division to estimate debtor's tax due, pursuant to N.J.S.A. 54:49-5, but also prevent the N.J. Division and all other creditors from ascertaining debtor's true financial situation.

Therefore, because debtor has not provided adequate information for creditors to determine whether debtor has any "reasonable likelihood of rehabilitation," the N.J. Division supports the U.S. Trustee's Motion to Convert Cases to Chapter 7, or in the Alternative to Dismiss the Cases, Pursuant to 11 U.S.C. §1112 (b).

Thank you for your consideration.

Respectfully submitted,

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY

By: /s/ Gabriel I. Chacon
Gabriel I. Chacon
Deputy Attorney General

c: All parties listed on Certificate of Service
Damian Ward, N.J. Division of Taxation (via email)

